

National Ethanol Vehicle Coalition



NEVC is the nation's primary advocate for the use of 85% ethanol as a form of transportation fuel.

Mission: To promote the use of 85 percent ethanol as a renewable form of alternative transportation fuel while enhancing agricultural profitability, advancing environmental stewardship and promoting national energy independence.

WISKEY
Famous wood-fire
grilled steaks & more!
8 miles ahead on the left

Use E85...We'll Grow More!



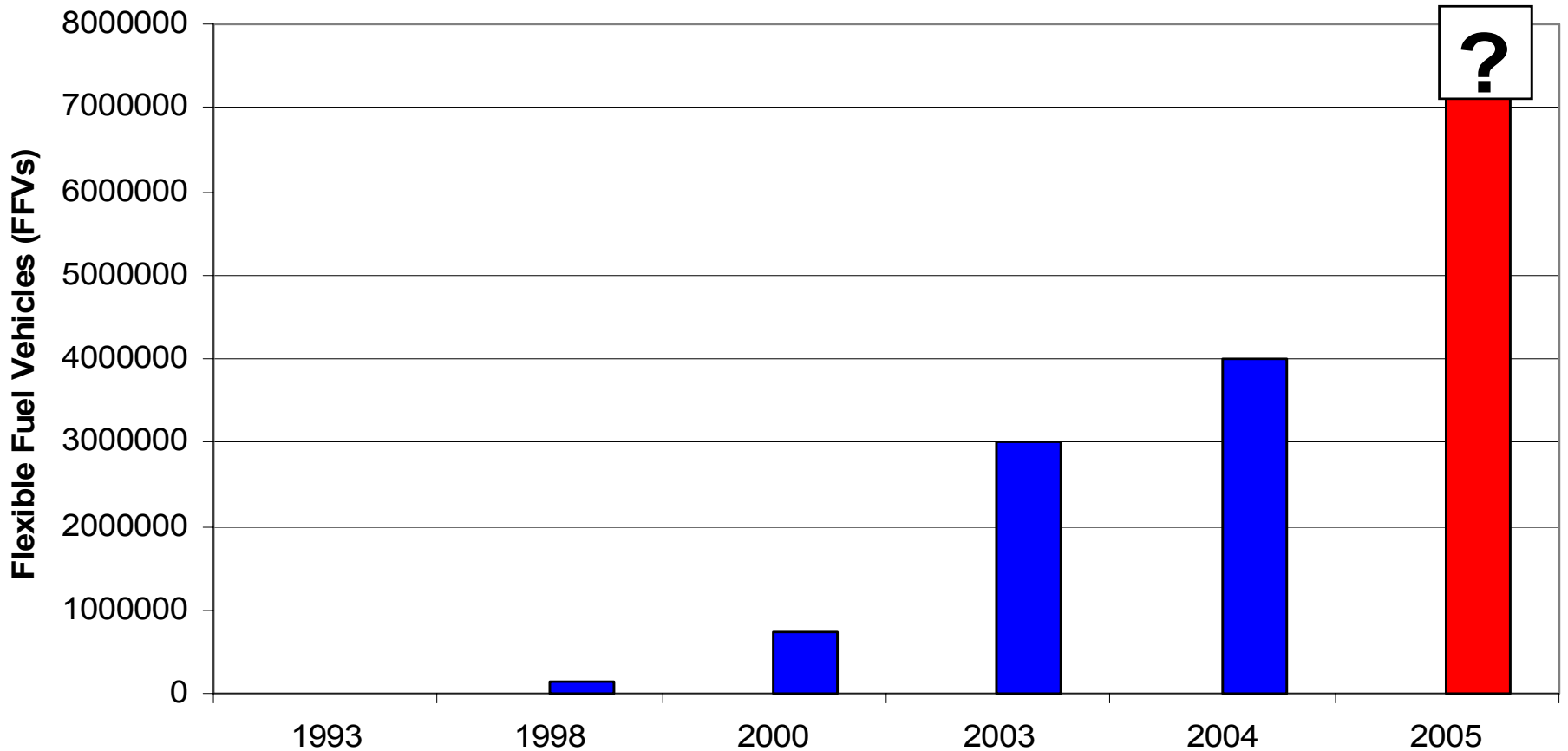
E85
85% Ethanol

Fill up with E85 at Pump & Pantry
ahead on 281 at Capital Avenue

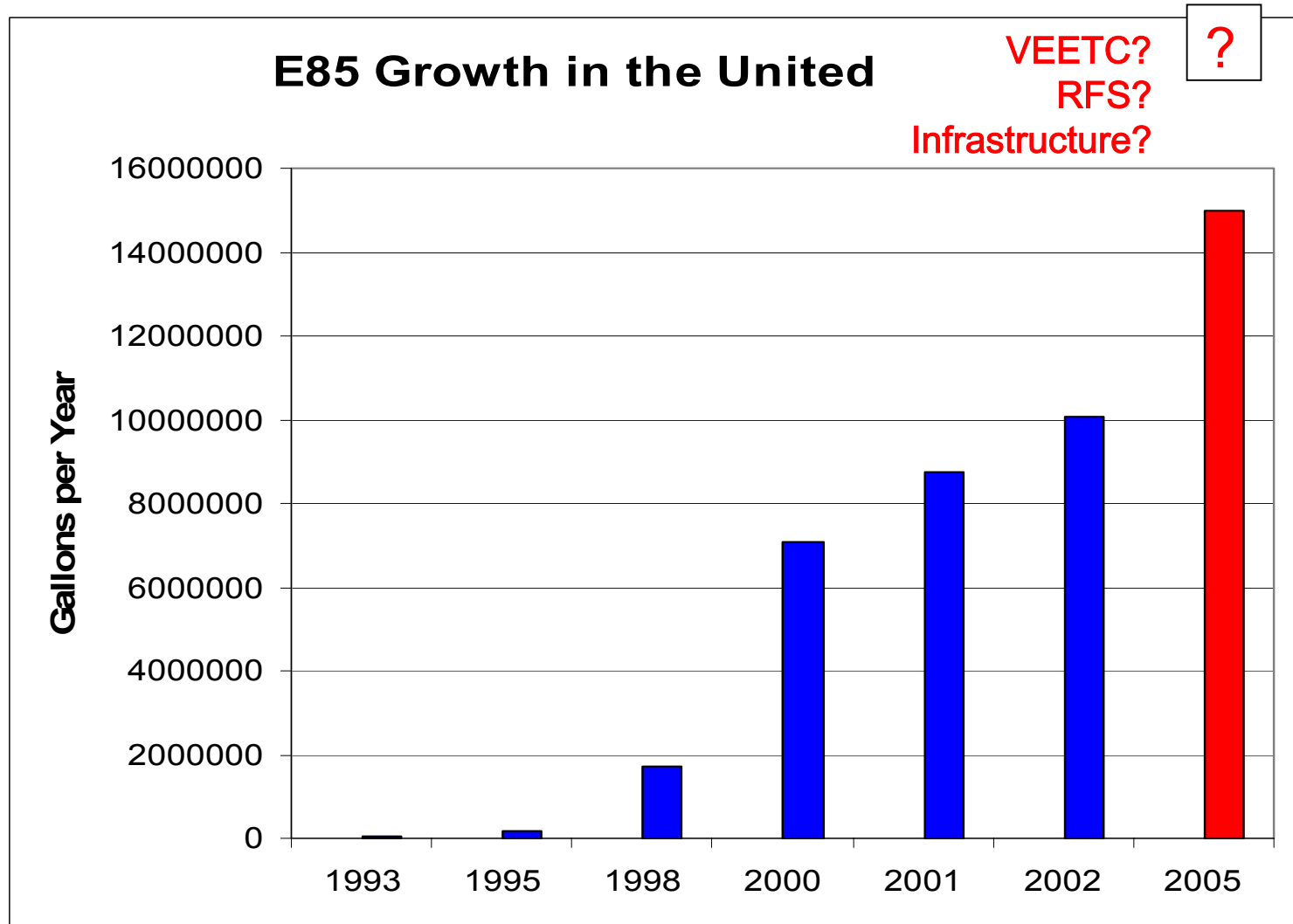
LANARK

National Ethanol Vehicle Coalition

Estimated Total FFV Population in the United States



National Ethanol Vehicle Coalition



3 Major Roadblocks to Wide Scale E85 Use



- 1. Difficulty in using the existing blenders tax credit**
- 2. Lack of infrastructure**
- 3. Lower BTU content of E85**

The NEVC is addressing each of these issues in the following manner.....



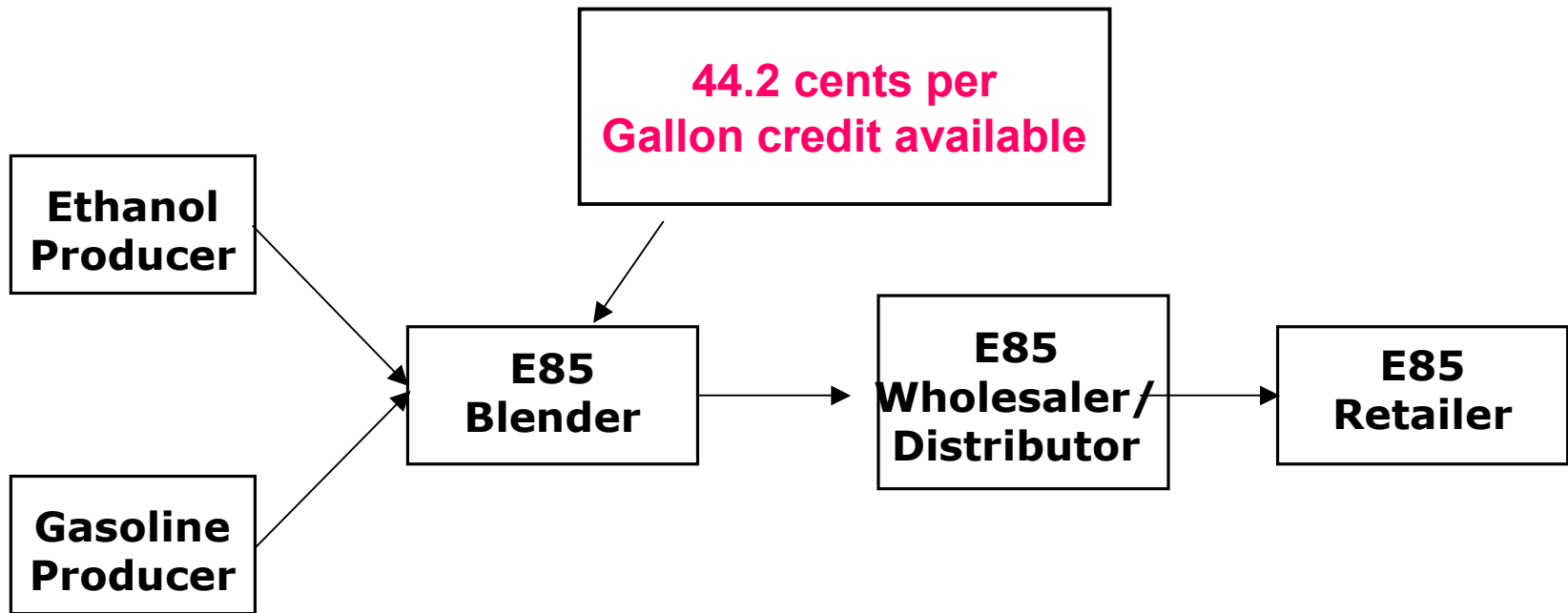
3 Major Roadblocks to Wide Scale E85 Use



**1. Difficulty in using the existing
blenders tax credit**



Simplified Flow Chart of E85 Distribution



What is the Credit in Question?

- Publication 378, Fuel Tax Credits & Refunds
 - Alcohol Fuel Credit, specifically the **Alcohol Mixture Credit**
 - Offers 52 cents per gallon of ethanol included in qualified mixture (mixture to be used as fuel)
 - For the ethanol in E85, tax credit is $(0.85 * 0.52) = 44.20$ cents per gallon of E85
 - **A tax credit (reduces amount of tax to be paid), not a deduction (which reduces the amount of income on which tax is paid)**



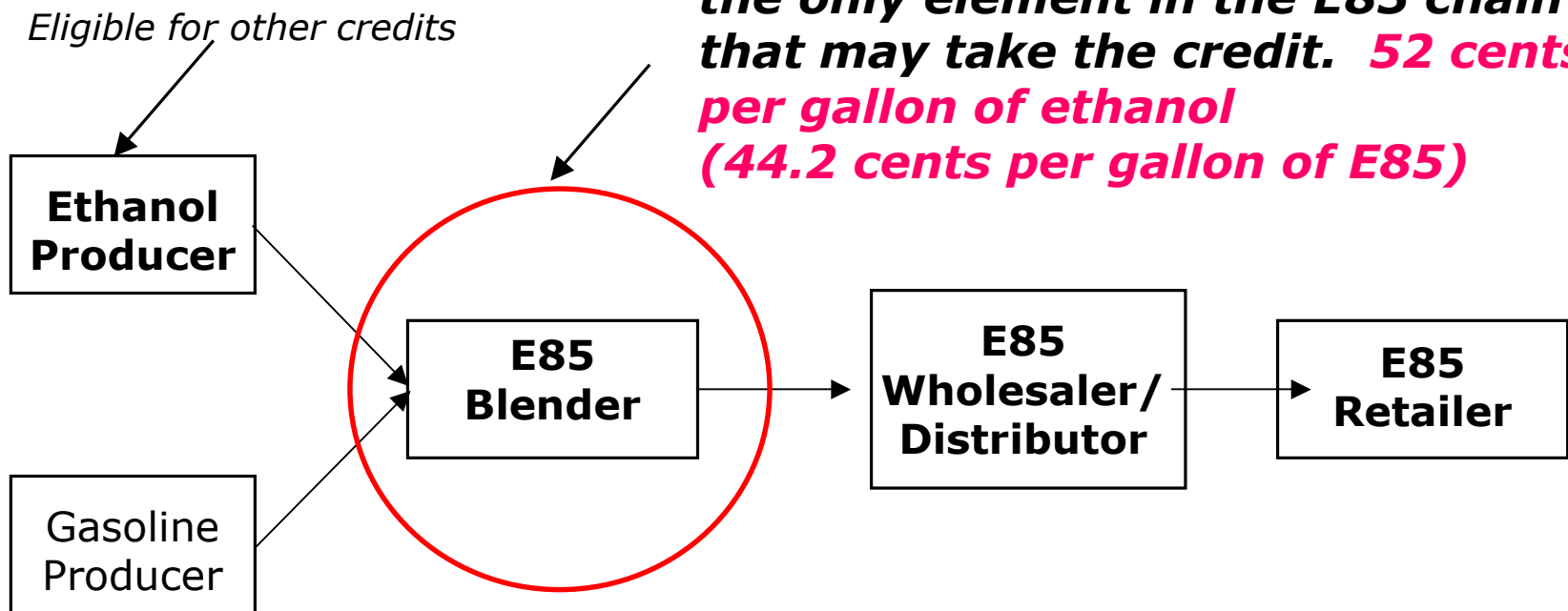
How Does the Credit Work?

- The credit is given for ethanol mixtures used as fuel
- The mixture credit can be taken only by entity blending fuel
- The mixture credits are “General Business Credits”
 - Can be carried forward or backward
 - Can be carried forward up to 20 years
 - Carrying forward/backward requires filing amended tax return



Who may take the tax credit?

According to the IRS, the blender is the only element in the E85 chain that may take the credit. **52 cents per gallon of ethanol (**44.2 cents per gallon of E85**)**



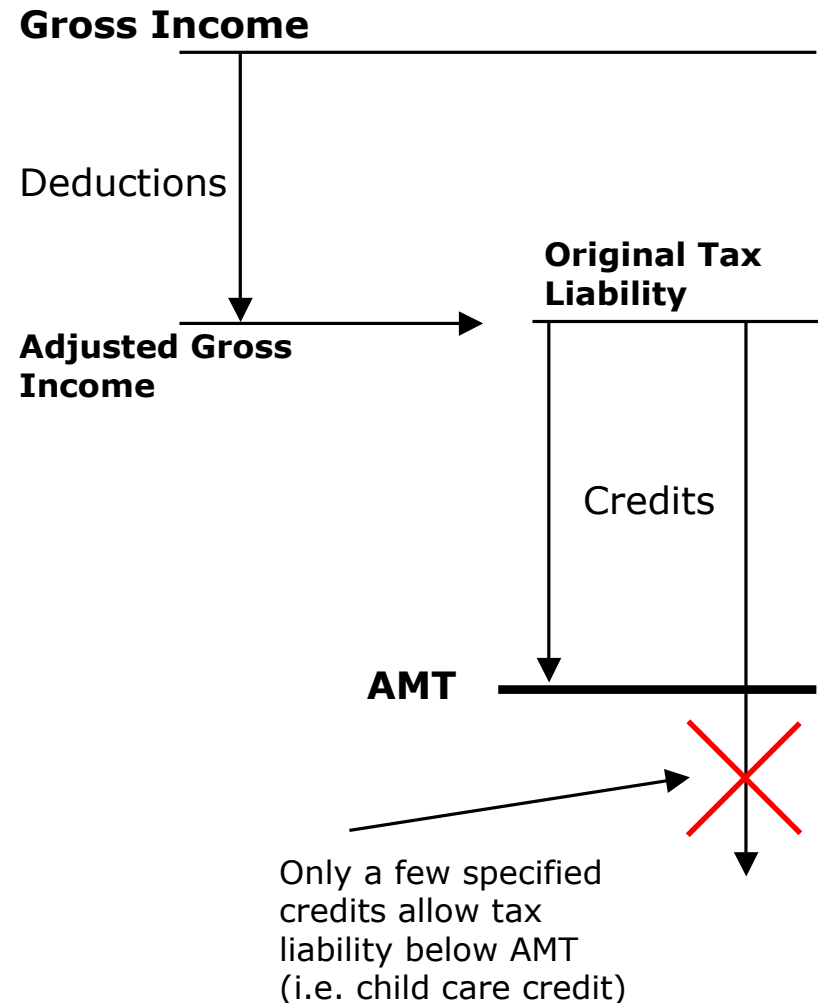
What's the AMT?

- Alternative Minimum Tax (AMT)
 - Alternative tax structure with different rates and exemptions
 - Deductions under AMT are less generous than regular tax structure
 - Taxpayer calculates tax due under regular tax structure, and under AMT, and if AMT is higher, taxpayer pays regular tax plus difference between regular tax and AMT



How does the AMT apply?

- AMT establishes a minimum level of tax to pay
- Most tax credits or deductions cannot lower tax liability below AMT
 - Currently alcohol tax credits cannot lower tax liability below AMT



Why is this an issue?

- Some E85 blenders do not have enough tax liability to take advantage of all tax credits for gallons blended
 - Currently, the tax credit cannot lower your tax bill below the AMT level for your organization
 - Therefore, any tax credits beyond the ones to reduce tax bill to the AMT level will not lower tax bill further (i.e. below AMT)
- The tax credits themselves cannot be sold or transferred
- E85 price is excessive absent use of the tax credit

Today's difficulties with the E85 Credit

- Blender must have federal income tax liability
- Blender must not be subject to AMT
- In many cases, blender must “carry” the tax credit until end of tax year.
- Prudent to consider “cost of money” in the calculations.
- Cumbersome and difficult to calculate and understand!
- **VEETC is solution**



VEETC-Volumetric Ethanol Excise Tax Credit-Passed and Signed By President Bush



- **Removes cost of Ethanol tax incentives from Highway Trust Fund and places the cost in General Fund.**
- **All highway funds generated in each state will in the future be available to build roads, bridges, etc.**



VEETC-Volumetric Ethanol Excise Tax Credit



- Provides E85 blenders a payment from the Treasury based on actual gallons of ethanol blended multiplied by the current incentive (\$0.52)

- 10 gallons of ethanol x \$0.52 = \$5.20
- 100 gallons of ethanol x 0.52 = \$52
- 1000 gal. of ethanol x \$0.52 = \$520



VEETC-Volumetric Ethanol Excise Tax Credit



- **Does not require a federal income tax liability**
- **The issue of tax liability and the Alternative Minimum Tax are no longer part of the equation.**
- **Blenders will be able to receive the tax incentives within 20 days rather than at the end of the taxable year!**



VEETC-Volumetric Ethanol Excise Tax Credit



- Not impacted by the AMT
- Certainty is now applicable to blenders of E85!



VEETC-Volumetric Ethanol Excise Tax Credit

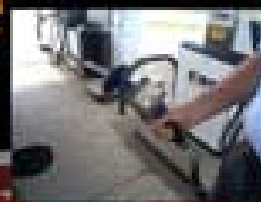
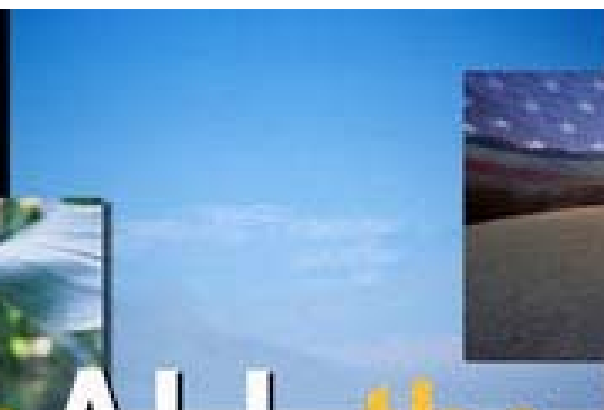


- Today, there are approx. 10 blenders providing E85 across the nation.
- On January 1, 2005 literally 1,000s of companies will be able to act at blenders of E85.
- Increase availability, increase competition, reduce cost to retailer!





For ALL the
Right
Reasons



Learn more about E85



Visit us on the Web

www.E85Fuel.com